

Structural Economic Transformation in Asia's Landlocked Developing Countries: The Policy Perspective

Promoting Structural Economic Transformation in Asia-Pacific Landlocked
Developing Countries

Bangkok

4 November 2019

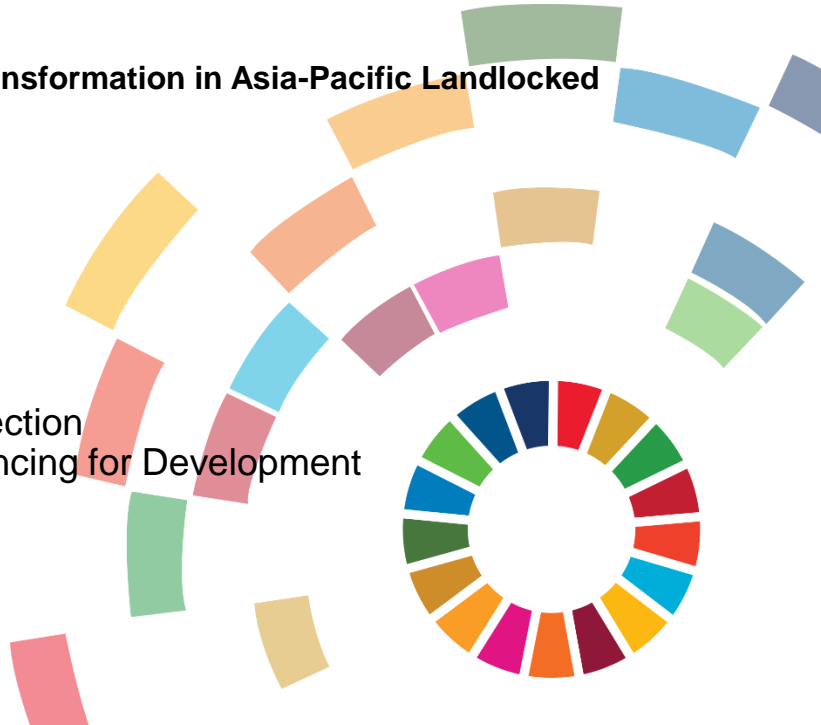
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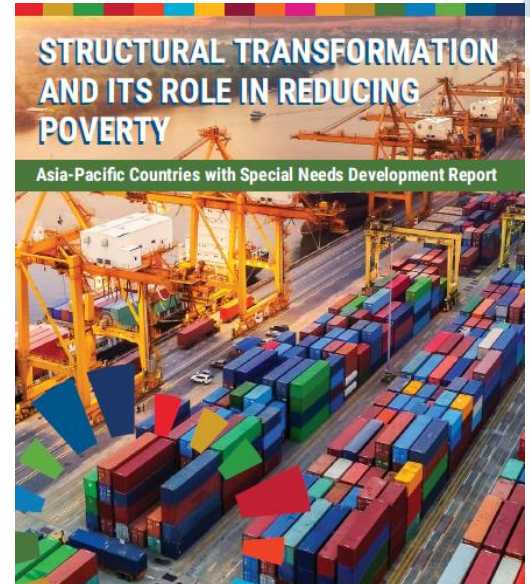
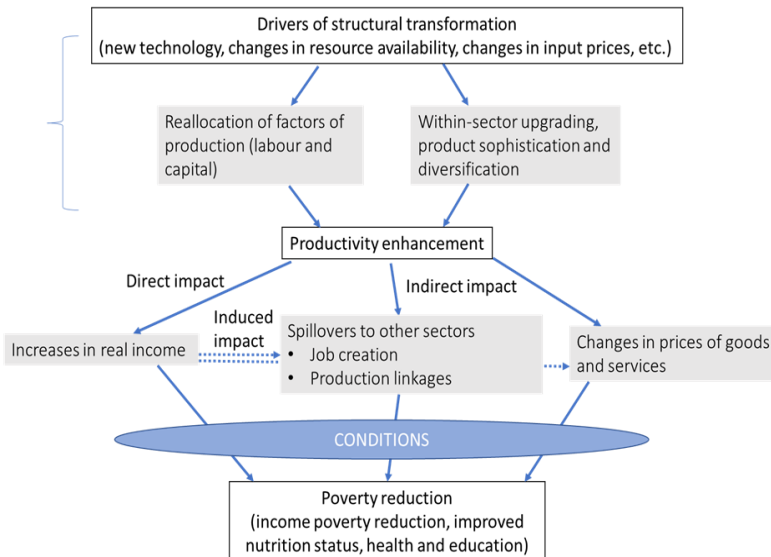
Macroeconomic Policy and Financing for Development

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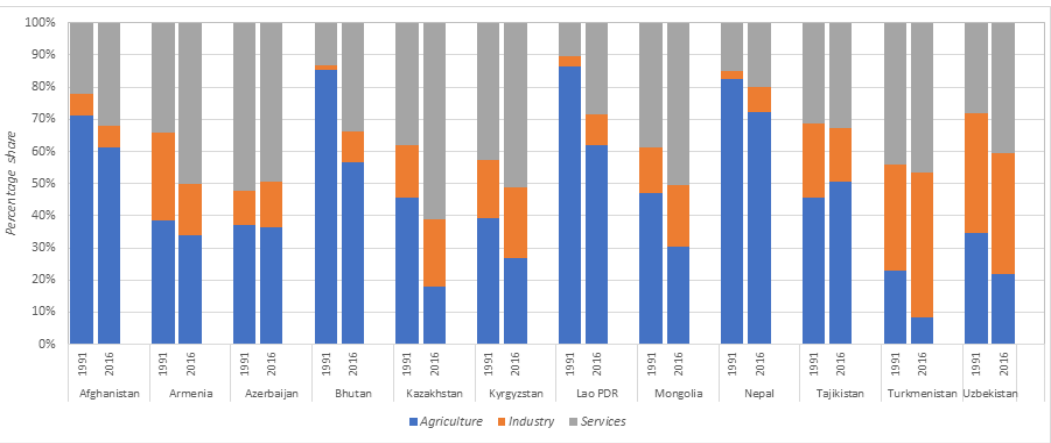
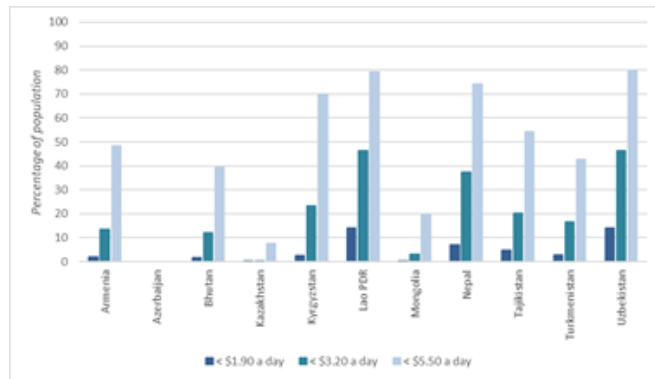
Structural economic transformation and poverty reduction

- There are clear links between structural transformation and poverty reduction;
- Structural transformation is priority 5 of the Vienna Programme of Action for LLDCs



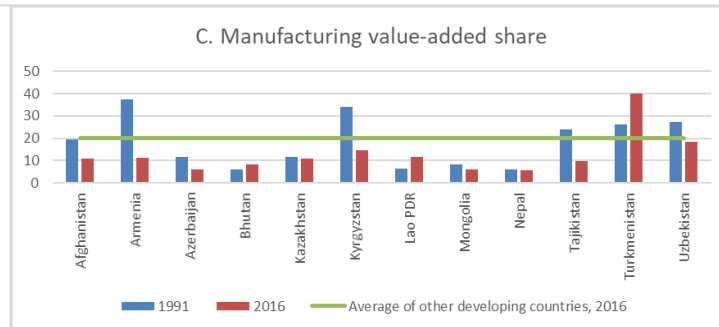
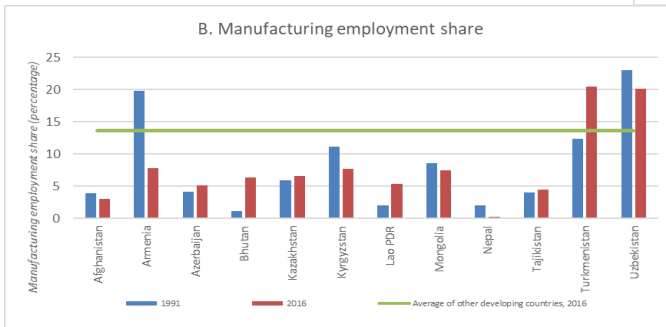
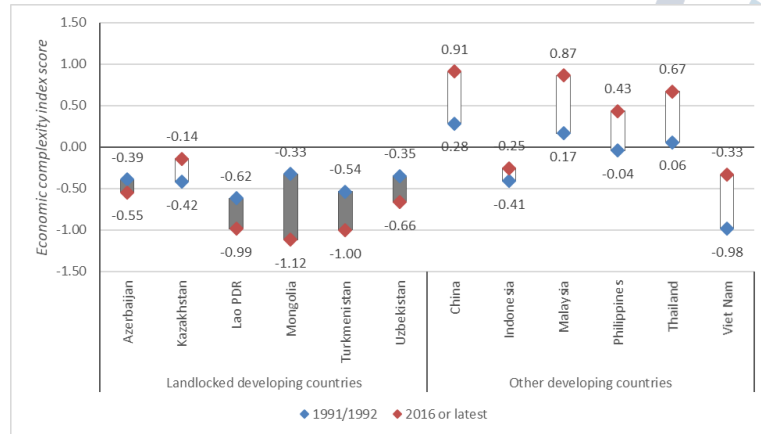
The two structural transformations in Asia's LLDCs

- Significant reduction in poverty;
- Structurally underdeveloped, structurally developing, and structurally developed;
- Two main groups of countries
 - (a) formerly centrally-planned economies;
 - (b) landlocked LDCs;
- Two groups of structural transformation policies are needed.



Economic diversification away from natural resources (1)

- Economic de-diversification;
- Premature de-industrialization;
- Industrial base primitivization.

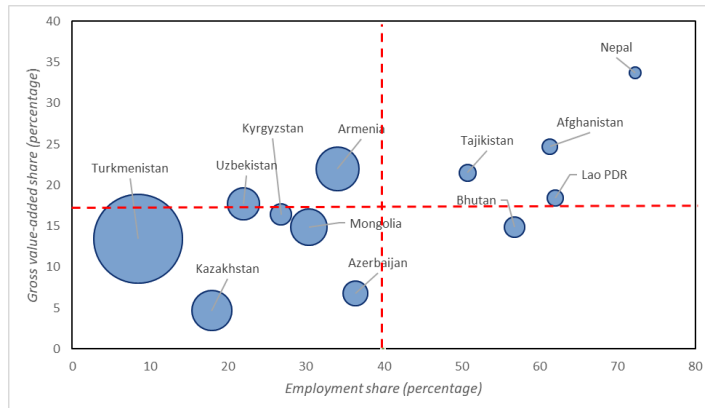


Economic diversification away from natural resources (2)

- **Build a manufacturing base and services;**
 - economic diversification;
 - high(er) productivity;
 - GVC and RVC landscape;
- **Cooperate regionally (with transit countries)**
 - through (sub)regional integration mechanisms;
 - bilaterally;
- **Use the resource rents and human capital;**
 - continue improving human capital quality;
- **Overcome the “development illusion”**
 - through a dual strategy of restructuring (through FDI);
and labour intensive sectors’ development.

Rural modernization (landlocked LDCs)

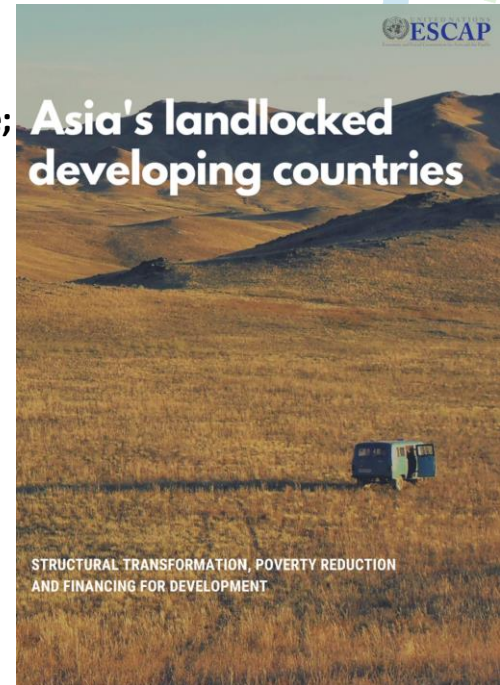
- **Long-term policies: moving out of agriculture, but not abandoning it;**



- **Short-term: best results in poverty reduction are through within sector structural transformation;**
 - Institutions - ownership of land;
 - Innovation – mechanization, R&D;
 - Beyond agriculture and husbandry – e.g. food processing;
 - Commercialization, but
 - keep rural populations interests in the loop.

Policy confluence: the obvious truths?

- **Active state role through industrial policy, but**
 - aligned with achieving SDGs;
- **Using existing strengths, but**
 - going beyond comparative advantage;
- **Joining global economy through RVC and GVC, but**
 - not locking yourself in segments of low productivity;
- **Foreign direct investment, but**
 - strategized and selective;
 - using Special Economic Zones;
- **Enabling business environment, but**
 - empowering domestic MSMEs;
- **Infrastructure, but**
 - serving the needs of domestic strategies.



Thank you!

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